

Sheryl (Sherry) L. Herauf
Director
Federal Regulatory Programs

1275 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 388-6424

PACIFIC  **TELESIS**
Group-Washington

October 18, 1995

RECEIVED

OCT 18 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop Code 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

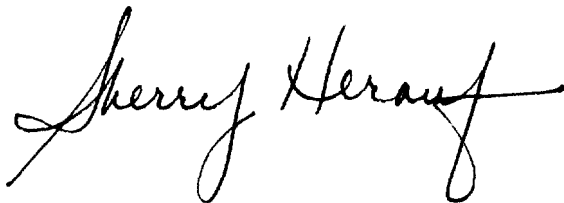
RE: Notice of Proposed Rulemaking, End User Common Line Charges,
CC Docket No. 95-72, FCC 95-212 (released May 30, 1995)

Enclosed please find an original and two copies of Pacific Bell's response to the letter from Kathleen M.H. Wallman, Chief, Common Carrier Bureau, dated September 29, 1995, requesting further information and cost data pertaining to the above referenced proceeding.

Please stamp and return the provided copy to confirm your receipt.

If you have any questions, or wish to discuss this matter further, please contact me.

Sincerely,



Enclosure

cc: James Schlichting, Chief, Policy and Program Planning Division
Lisa Gelb, Policy and Program Planning Division
Claudia Pabo, Policy and Program Planning Division

No. of Copies rec'd
List ABCDE

241

**Pacific Bell
FCC ISDN Data Request
End User Common Line Charges
CC Docket 95-72**

Pacific Bell offers the following information in response to the FCC's ISDN Data Request:

All information and data displayed is for the Pacific Bell Study Area, (i.e., California).

Question 1

For each switched loop service you offer (e.g., single analog loop service; ISDN PRI service, ISDN BRI service, FLEXPATH service, etc.) please identify the NTS cost components, including any NTS cost components located in the central office. For each component, please provide a short name, a brief description, the USOA account number, and the separations category.

<u>Cost Components</u>	<u>Part 32 Acct. #</u>	<u>Part 36</u>
Exchange Outside Plant	Account 2410	Category 1.3
Central Office Circuit Equipment	Account 2230	Category 4.13
Central Office Switching	Account 2210	Category 3

Exchange Outside Plant - includes the cost of cable and wire facilities, (i.e., the drop and block wires served by such cable or aerial wire) as well as the cost of other material used in construction of a physical path for the transmission of telecommunications signals between the local central office and the subscriber premises.

Central Office Switching Equipment - includes switching plant which functions to interconnect transmission paths, e.g., connecting appropriate lines and trunks to form a desired communication path between two station sets. Included are all kinds of related functions, such as sending and receiving signals, monitoring the status of circuits, translating addresses to routing instructions, alternate routing, testing circuits for busy condition, and detecting and recording troubles.

Central Office Circuit Equipment - includes central office equipment, other than switching equipment, which is used to derive communication transmission channels or which is used either for the derivation of communications channels or for the amplification, modulation, regeneration, testing, balancing or control of signals transmitted over communications transmission channels

Question 1 con't

For each service, please provide the number of voice-grade-equivalent channels per unit of service,

<u>Service Category</u>	<u>Voice Grade Equivalent Channels per unit</u>
Single-Channel	1
Basic Rate ISDN - (BRI)	2
Multi-Channel - (PRI)	23

Single Channel - includes residence lines, single line business lines, business trunks and Centrex lines.

Basic Rate ISDN - includes Business ISDN, Home ISDN, and Centrex ISDN

Multi-Channel - includes primary rate ISDN

Indicate whether the customer must provide a digital or analog signal,

Pacific Bell delivers a digital signal to the customer. Pacific Bell does not provide CPE. The customer is responsible for purchasing CPE capable of accepting the digital signal or converting the signal to analog based on their individual need.

Note any waivers or interpretations of the FCC's rules governing the placement of terminating equipment on the customer's premises.

CC Docket 81-893, 8th Report and Order, released January 29, 1988, is the only interpretation Pacific is aware of at this time.

Question 2

For each NTS cost component of each service, please provide the total annual cost booked, allocated to interstate, and apportioned to each access element for 1994. For capitalized costs, please provide the gross and net amounts and the annual depreciation expense. For expenses, please indicate whether they are one time or recurring. Please provide the appropriate units of cost (e.g., kilometers) and units of service (e.g., PRI service).

See Attachment 1

Question 3

For each service please provide the total (i.e., NTS and Traffic Sensitive) monthly cost per unit of service apportioned to each access element.

Displayed on Attachment 1

Question 4

In addition, please explain any differences in NTS costs among different services.

The difference in cost relates to the differences of provisioning a 2-wire connection vs. a 4 wire connection. The PRI or 4-wire connection rides a T-1 facility. These facilities require special conditioning i.e., depending on length, additional repeaters; deloading and removal of bridge taps. Special testing requirements of the facility prior to turning it up ensure accurate and complete signal transmission from end to end. The 2-wire connection for BRI could also require additional conditioning dependent upon distance from the Central Office.

Pacific Bell - Methodology and Assumptions used for NTS Cost Analysis for ISDN

Source for gross investment is the PI Product Recurring Investment Report. These costs are Direct Embedded.

- **Gross investments for the basic rate ISDN and the multi channel categories are for 1994 and the 1994 inservice count was used to calculate Monthly \$/Access Line displayed on Attachment 1.**
- **Gross Investment for the single-channel category is based on 1989 cost information from PI. 1989 data is used because it is the latest cost study information available for intrastate rate making. 1989 inservice values for volumes was used for consistency in calculating the Monthly \$/Access line displayed on Attachment 1.**

Source for recurring, nonrecurring and total cost by account is the PI Cost Summary Report.

The number of access lines used in our calculations reflect an annual average.

Due to time constraints associated with this data request, costs displayed on Attachment 1 do not reflect a full revenue requirement as defined in Part 65. The return and income tax allowance are calculated. Net investment is not the same as the rate base defined in Part 65; it is missing several accounts that impact the rate base calculation. On the net income side, property tax, other miscellaneous operating income and charges, and tax adjustments are not included.

Derived Depreciation Reserve: Ratios were developed for GSF, Switching, Transmission and C&WF based on the 1994 Subject to Separations depreciation reserve relationship to Plant in Service. Those ratios were applied to plant in service amounts identified by PI.

Part 36 and 69 allocations are not done on a product by product basis. Rather, the total company book, Subject to Separations is used. For the purpose of this data request, PI expenses were split between the three primary investment components based on relative investment, i.e., Account 62XX was split between COE Circuit and Switching based on relative investment and Account 6410 was assigned directly to C&WF. All other expense accounts and GSF investment was split between COE-Circuit, C&WF and COE Switching based on relative investment.

The factors used to identify the Interstate portion of these costs are from the 1994 annual separations run, View R001. The Basic Allocation Factor (BAF) was used to allocate the interstate portion of the C&WF and COE Circuit Equipment costs, and the Dial Equipment Minute Factor (DEM) was used to allocate and identify the interstate portion of COE Switching.

In order to illustrate the Part 69 impact of the ISDN product, relationships based on direct investment were used. (i.e., COE Circuit equipment and C&WF costs were assigned 100% to the Common Line Element. All COE Switching costs were assigned to the Traffic Sensitive Local Switching Element.) These assignments are more in keeping with cost causative principles under Part 61 than running a full Part 69 where secondary and tertiary allocations may shift dollars into or away from other access elements.

The results displayed on Attachment 1 reflect the comparative difference between the service offerings. Even though we did not use a full revenue requirement calculation, that calculation would not create a depreciable change in the relationships of the Monthly \$/Access Lines displayed.

PACIFIC BELL: Non-Traffic Sensitive Cost Analysis for ISDN

Attachment 1

<i>Product</i>	<i>Account</i>	<i>Total</i>	<i>Interstate</i>	<i>Common Line</i>	<i>Local Switch</i>
Single-Channel	2001 Plant in Svc	9,440,908,027	2,243,010,438	2,140,098,687	102,911,750
	3100 Deprectn Rsv	4,024,138,302	963,537,543	926,226,743	37,310,800
	Net Investment	5,416,769,725	1,279,472,895	1,213,871,945	65,600,950
	Expense less Depr	1,562,456,236	366,875,183	346,033,340	20,841,843
	Recurring	1,062,998,068	254,066,422	243,809,103	10,257,319
	Nonrecurring	499,458,168	112,808,761	102,224,237	10,584,524
	Depreciation Exp	730,075,304	173,454,346	165,496,073	7,958,273
	Recurring	695,229,597	165,175,557	157,597,123	7,578,434
	Nonrecurring	34,845,707	8,278,789	7,898,949	379,840
	Total Expense	2,292,531,540	540,329,529	511,529,413	28,800,116
	Return @ 11.25%	609,386,594	143,940,701	136,560,594	7,380,107
	Tax Allowance	424,260,415	100,212,807	95,074,711	5,138,097
	Total Cost	3,326,178,549	784,483,037	743,164,717	41,318,320
	Access Lines	12,084,143	12,084,143	12,084,143	12,084,143
	Monthly \$/Access Ln	22.94	5.41	5.12	0.28
Basic Rate ISDN (BRI)	2001 Plant in Svc	10,085,217	2,242,280	1,997,308	244,973
	3100 Deprectn Rsv	4,395,932	997,853	909,066	88,788
	Net Investment	5,689,285	1,244,427	1,088,242	156,185
	Expense less Depr	3,574,235	791,023	701,000	90,023
	Recurring	2,106,076	464,471	409,996	54,476
	Nonrecurring	1,468,159	326,551	291,004	35,547
	Depreciation Exp	595,841	132,475	118,002	14,473
	Recurring	536,452	119,271	106,241	13,031
	Nonrecurring	59,389	13,204	11,762	1,443
	Total Expense	4,170,076	923,498	819,002	104,496
	Return @ 11.25%	640,045	139,998	122,427	17,571
	Tax Allowance	445,605	97,468	85,235	12,233
	Total Cost	5,255,725	1,160,964	1,026,664	134,300
	Access Lines	15,876	15,876	15,876	15,876
	Monthly \$/Access Ln	27.59	6.09	5.39	0.70
Multi-Channel (PRI)	2001 Plant in Svc	1,344,531	219,867	117,791	102,077
	3100 Deprectn Rsv	508,928	85,578	49,007	36,571
	Net Investment	835,603	134,290	68,784	65,506
	Expense less Depr	184,328	29,314	14,592	14,722
	Recurring	72,506	11,290	5,287	6,002
	Nonrecurring	111,822	18,024	9,305	8,719
	Depreciation Exp	47,286	7,733	4,143	3,590
	Recurring	42,428	6,938	3,717	3,221
	Nonrecurring	4,858	794	426	369
	Total Expense	231,614	37,047	18,735	18,312
	Return @ 11.25%	94,005	15,108	7,738	7,369
	Tax Allowance	65,447	10,518	5,387	5,131
	Total Cost	391,067	62,672	31,861	30,812
	Access Lines	111	111	111	111
	Monthly \$/Access Ln	293.59	47.05	23.92	23.13